

Internal Control Assessment Applicant Credit Approval

Purpose

To ensure that FSA's internal control policies and standards regarding the approval of credit applications fulfill requirements established by OMB Circular A-129.

Background

In accordance with OMB Circular A-129, FSA must determine whether applicants comply with statutory, regulatory, and administrative eligibility requirements for credit extension or approval. FSA must use various credit screening measures to assist in determining the credit worthiness of its applicants.

Applicants must provide their Taxpayer Identification Number (TIN) to FSA to verify the accuracy of their credit information. Also, FSA must determine if the applicant is delinquent on any Federal debt, including tax debt. FSA must include a question on its loan application forms asking applicants if any such delinquencies exist. In addition, FSA must use credit reports as a screening tool. FSA should also use other appropriate Federal databases, such as the Department of Housing and Urban Development's Credit Alert Interactive Voice Response System (CAIVRS), to identify delinquencies on Federal debt.

FSA must suspend the processing of applications when applicants are delinquent on Federal tax debts. Furthermore, FSA must not approve loans to individuals who are subject to administrative offset to collect delinquent child support payments.

When creditworthiness is one of the criteria for loan or credit approval, FSA must determine if an applicant has the financial capability to repay the loan and have a satisfactory past history of repaying debt. FSA should use credit reports and supplementary data sources, such as financial statements and tax returns, to verify an applicant's employment, income, assets, and credit history.

Internal Control Standard

FSA must ensure that delinquent and unqualified debtors do not receive additional credit.

Assessment of FSA's Compliance*

We held meetings with FSA staff and determined that appropriate steps were taken to ensure delinquent or unqualified debtors did not receive additional credit. TINs were provided on all credit applications, and the loan history of each applicant was researched using credit bureaus, CAIVRS, and tools.

* *The actual testing phase including interviews and examination of sampled records has not yet occurred. This write up is only a sample of what may be discovered during the testing phase of the FMFIA process.